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UNCLAS SECTION 01 OF 02 STATE 103737

SENSITIVE

C O R R E C T E D C O P Y (SENSITIVE CAPTION ADDED)

SIPDIS

E.O. 12958: N/A

TAGS: ECON EFIN KNNP PARM PTER IR KS

SUBJECT: RESPONSE TO ROKG QUESTIONS REGARDING DELIVERY OF SHIPS TO IRISL

REF: A. A) STATE 90303

1B. B) SEOUL 001830

1C. C) SEOUL 1746

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11. (U) This is an action request. Please see paragraph 3.

SUMMARY/BACKGROUND

12. (SBU) Washington is providing the nonpaper in paragraph 4 to answer questions from the ROKG that arose in response to our demarche to Seoul regarding the delivery of ships to the Islamic Republic of Iran Shipping Lines (IRISL) and the designation of IRISL under E.O. 13382 for facilitating Iran's proliferation of weapons of mass destruction (REF A).

OBJECTIVES/ACTION REQUEST

13. (SBU) Washington requests Post draw from paragraph 4 when engaging host government officials on questions regarding the implications of the IRISL designation for Korean companies. Points in paragraph 4 may be left as a nonpaper.

NONPAPER FOR SEOUL

14. (U) Q: WHAT ARE THE FULL IMPLICATIONS OF THE U.S. DESIGNATION?

A: This designation publicizes the proliferation activities of the Islamic Republic of Iran Shipping Lines (IRISL), with the objective of disrupting or stopping Iran's ability to procure and develop weapons of mass destruction or their means of delivery (including missiles capable of delivering such weapons). It increases pressure on the Iranian regime with the goal of persuading Tehran to change course. More immediately, this action helps the United States protect the U.S. financial system from abuse by WMD proliferators and their supporters, by blocking all property and interests in property of IRISL and the other 18 designated entities that are in the United States, or that hereafter come within the United States, or that are or hereafter come within the possession or control of U.S. persons. Further, no U.S. person is permitted to engage in business with these 19 entities.

Q: WHEN DOES THE U.S. DESIGNATION TAKE EFFECT AND DOES IT HAVE RETROACTIVE APPLICATION (E.G., TO PRE-EXISTING CONTRACTS)?

A: The designation of IRISL and 18 subsidiaries under E.O. 13382 took effect when it was announced by the Department of the Treasury on September 10, 2008.

Q: HOW DOES THE U.S. VIEW THE ACTIONS OF THIRD-COUNTRY FIRMS THAT CONTINUE TO DO BUSINESS WITH IRISL?

A: We urge companies to immediately end any association with IRISL to ensure they are not assisting Iran in its evasion of UNSC sanctions.

In 2007, IRISL transported a shipment of a precursor chemical destined for use in Iran's missile program. The end user was Parchin Chemical Industries, an entity listed in UNSCR 1747 as a subordinate of Iran's Defense Industries Organization, which was also listed in UNSCR 1737.

Any third-country firms doing business with IRISL could inadvertently be facilitating IRISL's deceptive shipping practices, such as the use of generic terms to describe shipments to avoid the attention of shipping authorities and the creation and the use of cover entities to conduct official IRISL business. We urge third-country governments and firms to heed the lesson learned from the U.S. investigation of the Mayrow Trading Company and related entities (<http://www.bis.doc.gov/news/2008/doj09172008.htm>): Iran uses deceptive practices to circumvent national and international restrictions.

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Q: WHAT ARE THE RISKS TO KOREAN FIRMS THAT CONTINUE TO DEAL WITH IRISL IN THE ABSENCE OF A UN-DESIGNATION OF THE FIRM?

A: Korean firms risk designation under E.O. 13382 if they act or purport to act for or on behalf of, directly or indirectly IRISL, the listed IRISL subsidiaries, or any other E.O. 13382 designated entity, and/or if they provide, or attempt to provide, financial, material, technological, or other support for, or goods or services in support of any designated entity.

Q: COULD THE U.S. DESIGNATION AFFECT A FIRM OR INDIVIDUAL WHO MOVED CARGO TO IRAN ON AN IRISL VESSEL?

A: If a firm or individual transports goods that pose a risk of materially contributing to the proliferation of weapons of mass destruction or their means of delivery, the firm or individual could be designated under E.O. 13382. We should work together to ensure that IRISL does not continue to circumvent UNSC sanctions. The United States continually reviews the activities of firms and individuals associated with IRISL and will ensure that Iran is not allowed to continue its efforts to transport items related to its proliferation of sensitive nuclear activities or the development of nuclear weapon delivery systems.

REPORTING DEADLINE

15. (U) Please report delivery of the U.S. non-paper and any response as soon as possible.

Please slug replies for ISN, T, TREASURY, and NEA/IR.
Please use SIPDIS caption on all responses.

POINT OF CONTACT

16. (U) Washington point of contact for follow-up information is Kevin McGeehan, ISN/CPI, (202) 647-5408, mcgeehankj@state.sgov.gov or Anthony Ruggiero, ISN/CPI, (202) 647-5181, ruggieroaj@state.sgov.gov.

¶7. (U) Department thanks Post for its assistance.
RICE